1. Use of Proceeds

IHDA designates its single family bonds as Social Bonds based on the intended use of proceeds: to finance the affordable homeownership and down payment assistance programs described above for homebuyers in the State who meet certain income criteria.

The following tables provide summary data describing historical loan origination activity and historical borrower profile for mortgage loans financed by IHDA from January 2018 through September 2022.

Illinois Housing Development Authority Homebuyer Program Highlights (January 2018 – September 30, 2022) For Mortgage Loans Financed[5] under the General Indenture	
Total Mortgage Loans Originated	9,013 loans totaling $1.36 billion
Down Payment Assistance Program Loans[6]	9,013 or 100% of total first loans totaling $60.91 million
Loans in Federally Targeted Areas	290, or 3.22%, of total first loans
Average Loan Amount	$151,850
Average Purchase Price	$157,979
Borrower's Average Annual Gross Income	$59,157
Average Household Size	2.21
Loans to Female Heads of Household	45.28%
Loans to Minority Borrowers	49.77%

Illinois Housing Development Authority
Mortgage Loans[1] Originated by Borrower Income as a Percentage of Area Median Income and Financed under the General Indenture

AMI Band	# of Loans	$ of Loans ($000s)
Below 80%	4,355	602,108
80% - 100%	4,658	761,585
Totals	9,013	1,363,693

5 Mortgage Loans were pooled into Mortgage-Backed Securities.
6 Down Payment assistance loans are currently funded with available IHDA funds outside of the General Indenture.

2. Process for Loan Evaluation and Selection

The Code substantially restricts the use of proceeds of tax-exempt obligations used to finance mortgage loans for single-family housing. Under the Code, interest on bonds, the proceeds of which are used to provide mortgage loans on owner-occupied housing, is not excluded from gross income for federal income tax purposes unless the bonds are part of a "qualified mortgage issue." An issue of bonds constitutes a "qualified mortgage issue" if the requirements described below under "Loan Eligibility Requirements Imposed by the Code" and requirements described below with respect to the use of funds generated by the issuance of such obligations are met.

Occasionally, IHDA will issue taxable Single Family Social Bonds to finance single family mortgage loans, including down payment assistance loans, for homebuyers meeting loan eligibility requirements required by the Code other than the first-time homebuyers requirement, including but not limited to, income limitations, purchase price limitations and residence requirements.

The Code contains the following loan eligibility requirements that are applicable to mortgage loans financed in whole or in part by Single Family Social Bonds, or otherwise attributable to Single Family Social Bonds, for federal income tax purposes in order that interest not be included in gross income for federal income tax purposes retroactive to the date of issuance thereof.

- *Residence Requirement*

Each premises financed with proceeds of qualified mortgage bonds must be a one-to-four-family residence, one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided. In the case of a two- to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence must have been occupied as a residence at least five years before the mortgage is executed.

- *First-Time Homebuyer Requirement*

Subject to certain exceptions, the lendable proceeds of qualified mortgage bonds must be used to provide financing to mortgagors who have not had a present ownership interest in their principal residence (other than the residence being financed) during the three-year period prior to execution of the mortgage loan.

- *New Mortgage Requirement*

With certain limited exceptions, the lendable proceeds of qualified mortgage bonds must finance new mortgage loans only and no proceeds may be used to acquire or replace an existing mortgage loan, which would include the refinancing of a pre-existing mortgage loan.

- *Purchase Price Limitation*

The purchase price of the residence financed with the lendable proceeds of qualified mortgage bonds may not exceed 90% of the average area purchase price applicable to such residence or 110% of the applicable average area purchase price in the case of residences located in targeted areas.

- *Income Limitations*

All mortgage loans made from the lendable proceeds of qualified mortgage bonds must be made only to borrowers whose family income does not exceed 115% (or for mortgage loans made to families with fewer than three members, 100%) of the applicable median family income. An exception is provided for mortgage loans financed with the lendable proceeds of qualified mortgage bonds made with respect to targeted area residences that permits two-thirds in aggregate amount of such mortgage loans to be made with respect to borrowers whose family income does not exceed 140% (for mortgage loans made to families with fewer than three members, 120%) of the applicable median family income and one-third in aggregate amount of such loans to be made without regard to any income limitation. Family income includes income of all individuals executing both the note and mortgage and occupying the dwelling as their principal residence.

- *Requirements as to Assumptions*

The Code provides that a mortgage loan may be assumed only if each of the then applicable residence requirement, first-time homebuyer requirement, purchase price limitation, and income limitation is met with respect to such assumption.

3. Management of Proceeds

Net of certain transaction costs, the proceeds of Single Family Social Bonds are deposited in segregated accounts under the General Indenture and invested in investment obligations until disbursed to finance mortgage loans or mortgage-backed securities backed by pools of mortgage loans.

4. Post-Issuance Reporting

IHDA voluntarily provides annual updates regarding the disbursement of the proceeds of Single Family Social Bonds in the form shown below. IHDA provides such voluntary disclosure until the applicable lendable proceeds for a particular issuance have been fully expended. While IHDA posts annual updates on the Electronic Municipal Market Access system ("EMMA"), this reporting is separate from IHDA's post-issuance continuing disclosure obligation. Failure by IHDA to provide such updates is not a default or event of default under the General Indenture or any continuing disclosure agreement.

FORM OF SOCIAL BONDS ANNUAL REPORT

Series [_________] Bond Proceeds Summary	
Total Original Lendable Proceeds	$
Amount of Proceeds Spent to Acquire Mortgage Loans and/or Mortgage-Backed Securities as of [date]	
Bond Proceeds Remaining as of [date]	$

Purchased Series 20___ Mortgage Loans and/or Mortgage-Backed Securities as of [ ] by Borrower Income as a Percentage of Area Median Income (AMI)		
AMI Band	# of Loans	$ of Loans ($000s)
Below 80%		
80% - 140%		
Totals		

Purchased Series _____ Mortgage Loans and/or Mortgage-Backed Securities as of [ ] by Borrower Income as a Percentage of Area Median Income (AMI)		
AMI Band	# of Loans	$ of Loans ($000s)
50% and below		
50.1% - 60%		
60.1% - 70%		
70.1% - 80%		
80.1% - 90%		
90.1% - 100%		
100.1% - 140%		
Totals		

E. Bonds Alignment with United Nations Sustainable Development Goals

By reference to the ICMA's *Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals (June 2021)*, which links the ICMA Social Bond Principles to the framework provided by the United Nations 17 Sustainable Development Goals ("SDGs"), IHDA's homebuyer programs and the intended use of proceeds of the Single Family Social Bonds are relevant to the following SDGs:

- *Goal No. 1 (No Poverty)* is focused on ending poverty in all its forms everywhere. Target 1.4 maps to the SDG categories of Affordable Housing, Access to Essential Services and Socioeconomic Advancement and Empowerment.

- *Goal No. 8 (Decent Work and Economic Growth)* is focused on promoting sustainable, and inclusive economic growth. Target 8.10 maps to the SDG category of Access to Essential Services.

- *Goal No. 10 (Reduced Inequalities)* is focused on reducing inequality and promoting social and economic inclusion for all. Target 10.2 maps to the SDG categories of Access to Essential Services and Socioeconomic Advancement and Empowerment, and Target 10.3 maps to the SDG category of Socioeconomic Advancement and Empowerment.

- *Goal No. 11 (Sustainable Cities and Communities)* is focused on making cities and human settlements inclusive, safe, resilient and sustainable. Target 11.1 maps to the SDG category of Affordable Housing.

The SDGs were adopted by the United Nations General Assembly on September 25, 2015, as part of its 2030 Agenda for Sustainable Development.

II. IHDA's MULTIFAMILY PROGRAM

In addition to providing assistance to low and moderate income homebuyers and homeowners, IHDA offers resources to developers that build or preserve affordable and mixed-income rental housing and provide oversight for hundreds of affordable rental communities across the State. IHDA established its multifamily housing program pursuant to the Illinois Housing Development Act, as amended (the "Act") and a Revenue Bonds General Indenture dated as of March 1, 2016 (the "General Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

IHDA accomplishes its goal of financing multifamily affordable housing through a number of funding sources, including Low Income Housing Tax Credits ("LIHTC"). The LIHTC program is a dollar-for-dollar federal tax credit for affordable housing investments created under the Tax Reform Act of 1986. It provides incentives to raise private equity for the development of affordable housing for low income households. Tax credits are claimed through the Internal Revenue Service. Although the U.S. Treasury Department is the final authority on the program, it is administered at the state level by housing finance agencies like IHDA. Additionally, the Illinois Administrative Code provides state rules governing the LIHTC program. In exchange for LIHTCs, developers commit to lease units to low income households, to charge affordable rents, and to maintain the property in good condition.

IHDA's multifamily program uses bond proceeds to finance affordable, multifamily rental housing projects benefiting from either a 4% or 9% LIHTC allocation, as set forth in the State's Qualified Allocation Plan (the "QAP"). The QAP details how IHDA awards LIHTC tax credits and serves as a framework for the development and rehabilitation of affordable rental units. Affordable housing developers apply for tax credits with IHDA, which selects developments to receive LIHTC awards based on competitive application criteria. In addition to providing rental housing for low and moderate income families, multifamily projects financed with Sustainability Bonds finance housing for seniors, persons with special needs, and residents requiring supportive housing. In addition, multifamily affordable housing projects that receive a LIHTC allocation also tend to receive subsidy payments under the federal Housing Assistance Payment Program (or Section 8). LIHTC projects are typically designated for residents at between 30% and 80% AMI.

IHDA has financed more than 150,000 affordable rental homes since 1967. One of every 18 rental units in the State was built or rehabilitated with IHDA resources. IHDA's investments result in quality housing that serve working families, seniors, and persons with special needs.

A. IHDA Green Standards

Applicants seeking IHDA multifamily development financing must show that the project will meet the following IHDA Green Standards.

1. <u>Enterprise Green Communities</u>

Although Enterprise Green Communities ("EGC") certification is not required, projects receiving tax credits must adhere to EGC's 40 mandatory criteria in the eight major sections of the EGC program, unless pursuing certification under one of IHDA's Green Building Standards (discussed below). The eight sections of the EGC criteria are:

- *Integrative Design*: measures to ensure an integrated design process with sustainable building elements.

- *Location and Neighborhood Fabric*: thoughtful site location to connect to existing neighborhood fabric.

- *Site Improvement*: efforts during construction and with landscaping to improve the site.

- *Water*: water conservation measures.

- *Operating Energy*: improving operating energy performance with updated Architectural Standards, appropriately sized HVAC, and energy efficient appliances and lighting.

- *Materials*: healthier material selection and effective moisture control.

- *Healthy Living Environment*: measures to ensure healthy living for residents.

- *Operations, Maintenance, and Resident Engagement*: guidance for property managers, building operators, and residents on how to maximize benefits during operation.

2. Green Building Standards Certification

Projects with architectural design and construction that meet or exceed energy efficiency and green criteria can obtain additional points in the Project Application by certifying to one of the following standards:

- 2020 Enterprise Green Communities – projects that select the scoring criteria 5.5b "Moving to Zero Carbon: All Electric"

- LEED 4.1 Building Design and Construction (BD+C at the Gold or Platinum levels)

- National Green Building Standards (NGBS) at the Emerald Level

- Passive House Institute United States (PHIUS) CORE certification

- International Living Future Institute's (ILFI) Core Green Building Certification and Living Building Challenge 4.0 (Petals certification program)

3. Net Zero Certification

Criteria and certification process for third-party Net Zero Certifications can be accessed via the respective third-party websites for each standard. Applicant sponsors must provide proof of project registration in the program of their choice at the time the Project Application is submitted. When the Project receives a certificate of occupancy, sponsors must provide documentation to IHDA that they have achieved requisite certification. In lieu of certification, IHDA, in its sole discretion, may accept an alternative verification from a reliable third party qualified to confirm that the Project complies with the certification requirements, despite not receiving the official documentation.

4. Architectural Requirements

In connection with applying for financing from IHDA, an applicant must demonstrate that the project will satisfy IHDA's Standards for Architectural Planning and Construction (the "Architectural Standards"), which details minimum quality standards for the design and construction of quality affordable housing. The Architectural Standards are used by IHDA to evaluate plans and specifications for proposed affordable housing developments, including new construction, rehabilitation, and the adaptive reuse of buildings. Applicants must include the “Architectural Standards, Universal Design and Amenities Certification” (found on IHDA’s website), signed by a licensed architect in their capacity as Architect of Record for the project.

5. Architectural Standards

The Architectural Standards impose a number of requirements, including the following mandatory requirements:

- All minimum green design requirements

- All applicable federal and state accessibility laws and/or as specified in Section 9.00 of the Architectural Standards, including:

    - At least 10% of the total units in the Project are designed for persons with mobility impairments;

    - At least 20.0% of the total dwelling units must comply with the Requirements for Adaptable Dwelling Units (Section 233.6.5 of the Illinois Accessibility Code);

    - At least 2% of the total units in the Project are designed for persons with sensory impairments (not less than one unit)

- All units must be provided with broadband internet infrastructure.

Rehabilitation projects are required to meet these minimum accessibility requirements. However, IHDA understands the challenges sometimes presented by rehabilitation projects. An applicant may submit a written request specifying project-related challenges as a result of acceptable definitions within the Illinois Accessibility Code (such as elements technical feasibility, structurally impracticability, etc.). The written request must specify the following items:

- The applicable section of the Accessibility Code

- The specific exemption being sought, and the applicable Accessibility Code section allowing the exemption

- A description explaining why the exemption applies

- Narrative and cost analysis of any alternatives explored to provide code required elements

6. Universal Design

Universal Design, as defined by the Center of Universal Design, is “the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialization.” IHDA recognizes the need to create housing including Universal Design features while maintaining aesthetics and affordability. Universal Design is not a safe harbor from other required accessibility codes, but is utilized as a supplement to any code requirements.

To award projects willing to provide Universal Design elements above the code, IHDA requires that each project include ten additional items not required by code in 100% of the units. As such, the application must identify any and all Universal Design principles to be integrated into the unit design. Applications seeking an exception to this requirement must provide a detailed narrative explaining the reason Universal design features cannot be provided.

7. Amenities

Applications must include preliminary architectural plans and specifications that include all of the following:

1. Cover sheet with development title, development team, drawing index, building areas and code information;

2. Dimensioned floor plans, including square footage, for all unit and building types, with room designations and proposed finishes;

3. Typical wall sections;

4. Exterior elevations for all building types with material notations matching those defined within the scoping document discussed below;

5. A site plan showing the placement and orientation of buildings, parking areas, sidewalks, easements, setbacks, trash dumpsters, buffers, storm water detention, required site amenities, and significant natural features;

6. Preliminary landscape plan;

7. Certification of Project Scope, signed by the architect and sponsor. The Certification must include a written description of the full project scope. Items to be included, but not limited to, in this document are:

    - Specifications indicating all materials selected and/or defined performance criteria (e.g., windows, doors, hardware, drywall, exterior materials, floor and wall finishes);

    - Definition of structural systems to be modified/installed as part of the project;

    - Programmatic description of the proposed furniture, fixtures, and equipment items;

    - Definition of the project's sustainability strategy in the form of a certification checklist, energy model or detailed description of elements provided and their expected impact consistent with the level of points requested in the Project Application;

    - Written description of HVAC system to be installed; and

    - Definition of any/all other unique items included in the Project.

8. Rehabilitation and Adaptive Reuse Projects

Projects involving the rehabilitation of existing buildings require a Physical Needs Assessment ("PNA"), completed according to IHDA's Standards for Property Needs Assessments and based on the existing condition of the property. Projects requesting LIHTC must include a minimum budgeted amount of hard construction costs per unit and minimum project scope, including but not limited to the following:

- Replacement of all plumbing fixtures within the entire project with fixtures meeting the fixture criteria identified in Standards for Architectural Planning and Construction.

- Replacement of all light fixtures throughout the project with high efficacy light sources - 65 lumens per watt, or luminaires with an efficacy of not less than 45 lumens per watt.

- Replacement of all flooring throughout the project with FloorScore certified flooring.

- Repair/Replacement of one additional major system beyond 90% of its useful life (furnaces, water heaters, central boilers, air conditioning equipment, elevator, windows, roofing, tuckpointing of exterior masonry, etc.) throughout the entire building

- Painting of all units and common areas.

IHDA may waive any of the above items based on the PNA.

9. <u>IHDA Standards for Environmental Reviews and Professionals</u>

All applicants for multifamily financing from IHDA must submit a Phase I Environmental Report from a professional firm experienced in providing environmental reports. Phase I assessments must be completed within one year prior to the QAP application deadline, consistent with the requirements of IHDA's Standards for Environmental Reviews and Professionals (the "Standards for Environmental Reviews").

The Standards for Environmental Reviews provide firm guidance as to the minimum criteria that should be considered when selecting an environmental firm, and requires that the environmental assessment and report exceed the basic scope of a standard Phase I report. In addition to detailing whether the site contains hazardous substances such as lead-based paint, mercury, PCBs, hazardous liquids or gases, elevated radon levels or asbestos, IHDA requires that the Phase I report address the following:

- If the project is located in a flood zone, the developer must include a Federal Emergency Management Agency ("FEMA") floodplain map for the Project area with boundaries of the Project site clearly defined. Projects proposing rehabilitation of existing buildings must submit a site plan that clearly indicates (i) the FEMA determined elevation of the floodplain or floodway; (ii) the elevation of the lowest floor level in the existing buildings; and (iii) the location of the existing buildings;

- The developer must submit a Historic Preservation Checklist to IHDA, which then submits the checklist to the Illinois Department of Natural Resources ("IDNR"). If the property is listed, or is eligible to be listed, in the Federal Register of Historic Places, the developer must submit additional reports for the IDNR;

- Whether the project is located in or near wetlands and, if so, whether any hydrophilic plants are present;

- Whether the project is located in close proximity to a railroad, major road, highway, freeway, airport, or any other noise generating source such as an industrial plant;

- Whether the site is located near a coastal zone, an area designated as being supported by a sole source aquifer, or a designated wild and scenic river;

- Whether the project will impact federally-listed or proposed threatened and endangered species, or designated or proposed critical habitats; and

- Whether there is any indication that the project may raise issues related to environmental justice.

These heightened standards of environmental review and reporting furthers IHDA's mission to finance the creation and preservation of affordable housing that increases the supply of decent and safe places for people of low or moderate means to live.

B. Bonds Alignment with Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines

"Sustainability Bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both green and social projects."[7] IHDA designates certain series of multifamily housing bonds as Sustainability Bonds based on the intended use of proceeds: to finance affordable multifamily rental housing that includes energy efficiency standards and features. IHDA believes the intended use of proceeds of Sustainability Bonds, and the manner of expenditure of such funds, are consistent with the four core components described by the ICMA in *Green Bond Principles*, *Social Bond Principles*, and *Sustainability Bond Guidelines*: (1) Use of Proceeds, (2) Process for Evaluation and Selection, (3) Management of Proceeds and (4) Reporting.

1. Use of Proceeds

IHDA Sustainability Bonds are used to finance affordable, multifamily rental housing projects benefiting from 4% or 9% LIHTC allocation and which design specifications are consistent with the State's energy efficiency and conservation requirements as set forth in the QAP, which is updated annually.

2. Project Evaluation and Selection

The QAP details how IHDA awards LIHTC tax credits and serves as a framework for the development and rehabilitation of affordable rental units. Affordable housing developers apply for tax credits with IHDA, which selects developments to receive LIHTC awards based on competitive application criteria. The application process begins with the developer submitting a Preliminary Project Assessment ("PPA") to IHDA prior to submitting a Project Application. Only upon receipt of an approval notice of the PPA may an applicant submit a full Project Application. Project Applications must include a Phase I environmental site assessment completed within one year prior to the application deadline.

In addition, Section 42(m) of the Code requires IHDA to include the following selection criteria in the QAP:

- Project location
- Housing need characteristics
- Project characteristics, including whether the Project involves the use of existing housing as part of a concerted Revitalization Plan
- Sponsor characteristics

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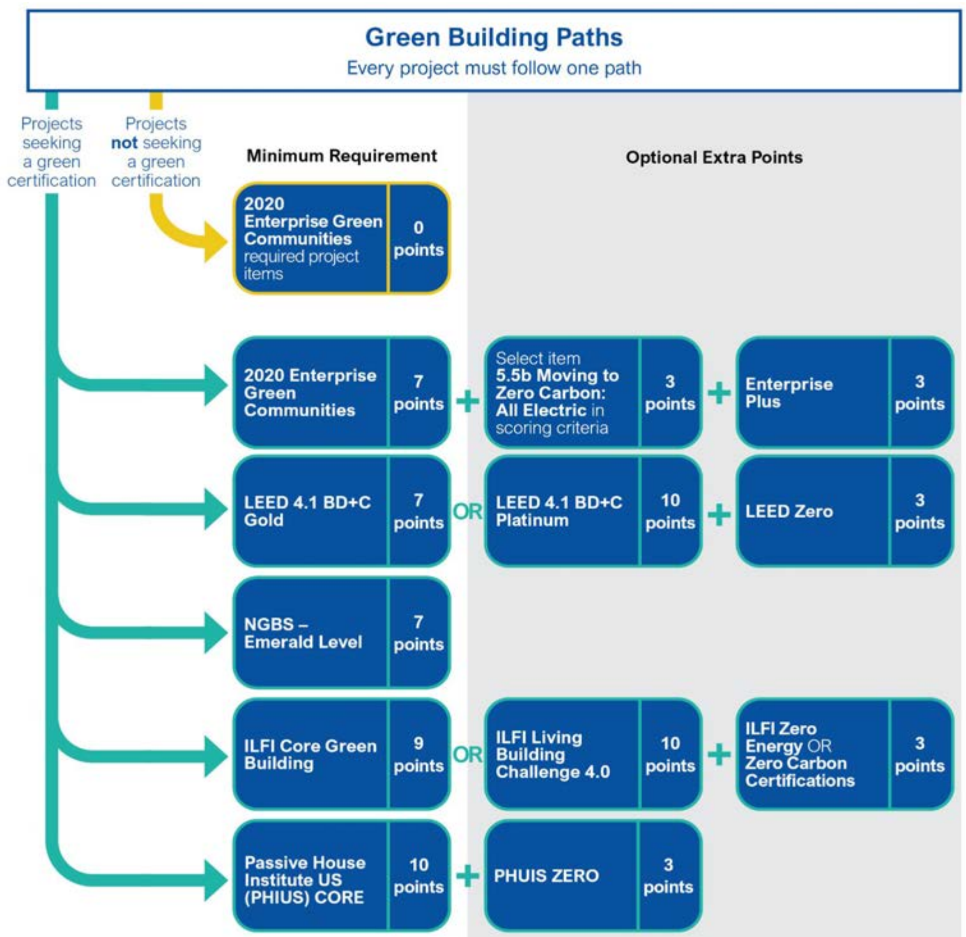
[7] International Capital Market Association Sustainable Bond Guidelines at https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/ (last accessed January 31, 2023).

- Tenant populations with special housing needs
- Public housing waiting lists
- Tenant populations of individuals with children
- Projects intended for eventual tenant ownership
- Energy efficiency of the project
- Historic nature of the project

In addition to the criteria set forth in the Code, IHDA reviews whether a project is expected to provide safe, quality housing at rent levels which low and moderate income individuals and families can afford. Updated income and rent limits for multifamily affordable housing financed by IHDA can be found on its website. Financial feasibility and documentation requirements under IHDA's Underwriting Standards Guide, which is incorporated into the QAP.

In selecting the winning application for a LIHTC project, IHDA utilizes a point system that awards a maximum of 13 points (or 13%) to applicants incorporating sustainability standards. Projects must adhere, at minimum, to EGC mandatory criteria. Projects may obtain additional points by obtaining EGC Certification or, in the alternative, obtaining Green Building Standards Certification and Net Zero Certification. IHDA's Green Building Paths illustrates the allocation of sustainability points:



The QAP incorporates, by reference, the mandatory EGC criteria, Green Building Standards Certification, and Net Zero Certification, each of which is discussed above in Subsection A.

3. Management of Proceeds

Net of certain transaction costs, the proceeds of Sustainability Bonds are deposited in segregated accounts under the General Indenture and invested in investment obligations until disbursed to finance multifamily projects.

4. Post-Issuance Reporting

IHDA will provide voluntary, annual updates regarding the disbursement of the proceeds of Sustainability Bonds substantially in the form shown below. IHDA will provide such disclosure until the applicable lendable proceeds for a particular issuance have been fully expended. In respect to the disbursement of proceeds of Sustainability Bonds for the refunding of IHDA multifamily bonds, IHDA posts one-time updates for such issuances. While IHDA posts updates on the MSRB's EMMA system, this reporting is separate from IHDA's post-issuance continuing disclosure obligation. Failure by IHDA to provide such updates is not a default or event of default under the General Indenture or any continuing disclosure agreement.

FORM OF SUSTAINABILITY BONDS ANNUAL REPORTING

Development Name (New Construction/ Rehabilitation)	Development Location	__% LIHTC Allocation	Anticipated Population Served or Elected % AMI	Environmental Attributes	Bond Proceeds Disbursed ($) as of June __, ___	Bond Proceeds Disbursed (%) as of June __, ___

C. Bonds Alignment with United Nations Sustainable Development Goals

By reference to the ICMA *Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals*, IHDA has determined that its Sustainability Bonds designation reflects the use of the proceeds of its multifamily housing bonds in a manner that is consistent with the following United Nations SDGs:

- *Goal No. 1 (No Poverty)* is focused on ending poverty in all its forms everywhere. Target 1.4 maps to the SDG categories of Affordable Housing, Access to Essential Services, and Socioeconomic Advancement and Empowerment

- *Goal No. 7 (Affordable and Clean Energy)* is focused on ensuring access to affordable, reliable, sustainable, and modern energy for all. Target 7.3 maps to the SDG category of Energy Efficiency.

- *Goal No. 11 (Sustainable Cities and Communities)* is focused on making cities and human settlements inclusive, safe, resilient and sustainable. Target 11.1 maps to the SDG category of Affordable Housing and Affordable Basic Infrastructure.

III. IHDA's MULTIFAMILY PROGRAM – Social Bonds

From time to time, IHDA will issue Multifamily Social Bonds, the proceeds of which are used to refinance affordable, multifamily rental housing projects benefiting from LIHTC allocation.

A. Bonds Alignment with Social Bond Principles

IHDA Multifamily Social Bonds are aligned with the four core components of the Social Bonds Principles: (1) Use of Proceeds, (2) Process for Project Evaluation and Selection, (3) Management of Proceeds, and (4) Transparency through Ongoing Reporting.

1. <u>Use of Proceeds</u>

As discussed at length in Section II, IHDA's Multifamily Social Bonds issuances are used to finance or refinance the construction, preservation, and redevelopment of affordable, multifamily rental housing developments containing conservation and energy efficiency standards for qualified low-income residents, as addressed in IHDA's QAP and LIHTC manual.

2. <u>Project Evaluation and Selection</u>

Section 42(m) of the Code requires IHDA to give preference in allocating LIHTC tax credits to projects that, among other requirements, serve the lowest income tenants for the longest periods, and which are located in qualified census tracts. Moreover, in order to qualify as LIHTC eligible, units must be leased at affordable rents. Qualified rents are defined by a maximum gross rent calculation designed to be no more than 30% of maximum household income, adjusted by unit size, and updated annually to reflect changes in AMI, as addressed in IHDA's LIHTC manual. The units themselves must be in good condition, available to the general public, and leased on a non-transient basis. Among the considerations of a developer's LIHTC application is the population served by the project. Owners of projects financed with LIHTC commit to providing certain proportions of qualified affordable units in a minimum set aside election.

3. <u>Management of Proceeds</u>

Net of certain transaction costs, the proceeds of Multifamily Social Bonds are deposited in segregated accounts under the General Indenture and invested in permitted investments until disbursed. Such disbursements are tracked by IHDA.

4. <u>Post-Issuance Reporting</u>

IHDA provides annual updates regarding the disbursement of the proceeds of Multifamily Social Bonds until the applicable lendable proceeds for a particular issuance have been fully expended. IHDA posts one-time updates for the disbursement of proceeds of Multifamily Social Bonds used to refund IHDA multifamily bonds.

While IHDA posts updates on EMMA, this reporting is separate from IHDA's post-issuance continuing disclosure obligation. Failure by IHDA to provide such updates is not a default or event of default under the General Indenture or any continuing disclosure agreement.

FORM OF MULTIFAMILY SOCIAL BONDS REPORTING

Series [ ] Bond Proceeds Summary	
Total Series [ ] Bond Proceeds	
Amount of Prior Bonds refunded with [ ] Bond Proceeds	
Series [ ] Bond Proceeds Remaining as of [date]	$[ ]
Amount of Series [ ] Transferred Loans	

B. Bonds Alignment with United Nations Sustainable Development Goals

By reference to the ICMA's *Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals*, IHDA has determined that its Multifamily Social Bonds designation reflects the use of the proceeds in a manner that is consistent with the following United Nations SDGs:

- *Goal No. 1 (No Poverty)* is focused on ending poverty in all its forms everywhere. Target 1.4 maps to the SDG categories of Affordable Housing, Access to Essential Services and Socioeconomic Advancement and Empowerment

- *Goal No. 11 (Sustainable Cities and Communities)* is focused on making cities and human settlements inclusive, safe, resilient and sustainable. Target 11.1 maps to the SDG category of Affordable Housing.

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APPENDIX K

FORM OF SOCIAL BONDS ANNUAL REPORT

Series 2023A/B/C Bond Proceeds Summary	
Total Original Lendable Proceeds	$
Amount of Proceeds Spent to Acquire Mortgage Loans and/or Mortgage-Backed Securities as of [date]	
Bond Proceeds Remaining as of [date]	$

Purchased Series 2023 _ Mortgage Loans and/or Mortgage-Backed Securities as of [ ] by Borrower Income as a Percentage of Area Median Income (AMI)		
AMI Band	# of Loans	$ of Loans ($000s)
Below 80%		
80% - 140%		
Totals		

Mortgage Loans (Pooled into Mortgage-Backed Securities) Expected to be Purchased with Series 2023A/B/C Bond Proceeds as of February 17, 2023 by Borrower Income as a Percentage of Area Median Income (AMI)		
AMI Band	# of Loans	$ of Loans ($000s)
50% and below	301	33,227
50.1% - 60%	158	21,651
60.1% - 70%	154	25,795
70.1% - 80%	164	28,991
80.1% - 90%	137	26,037
90.1% - 100%	117	24,861
100.1% - 140%	152	32,525
Totals	**1,183**	**193,057**